



State of Arizona
Department of Education

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School Finance Advisory Committee
Fiscal Year 2005-2006

Monday, February 13, 2006

Logistics

Meeting Time

Please plan for a punctual arrival so the meeting can begin on time.

Meeting: 1:00 p.m. – 4:00 p.m.

Meeting Location

Arizona State Capitol
Executive Tower Building
1700 West Washington
2nd Floor Conference Room
Phoenix, AZ 85007

ADE Contact Info

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School Finance Advisory Committee
Fiscal Year 2005-2006

Meeting Agenda

General		Start Time	Stop Time
Date	Monday, February 13, 2006	1:00 pm	4:00 pm
Location	Arizona State Capitol, Executive Tower Building, 1700 W. Washington, 2nd Floor Conference Room		

Members			ADE Staff
Ms. Patricia Beatty	Ms. Rita Leyva	Mr. Michael D. Reed	Bonnie Betz
Mrs. Lana E. Berry	Mr. Scott Little	Mr. George Ritchie	Paul Carolan
Mr. Daniel D. Bigler, CPA	Mr. Bill Maas	Mrs. Adrienne E. Sanchez	Teddy Dumlao
Mr. Mark E. Busch	Mrs. Lucia Marrufo	Dr. Elizabeth M. Sanders	Harold Frederick
Ms. Marcie K. Celaya	Mr. Brian L. Mee	Mrs. Vickie L. Simmons, CPA	Lyle Friesen
Mr. Paul Christensen	Ms. Montie Morris	Dr. Kenneth A. Smith	Dolores Gerritse
Mr. Kent DeYoung	Ms. Linda F. Munk, M.Ed	Mr. Fred A. Stone III	Art Harding
Ms. Lori Garvey	Mr. Quincy Natay, MBA	Mr. Roger Studley	Jill Heikkila
Ms. Elizabeth A. Gasperone	Ms. Tina M. Norton	Mrs. Brenda Thomas	Vicki Salazar
Ms. Mary F. Gifford	Mrs. Norma Pacheco	Mrs. Rose Whelihan	Tina Shaw
Ms. Karen L. Havird	Mr. Kevin E. Price	Mrs. K. Raechel Whitmer	Ruth Solomon
Mr. Ken Hicks	Mrs. Linda A. Proctor-Downing	Ms. Sandy Wilkins	Philip G. Williams
Dr. Gaye Leo	Ms. Usha Raghavan	Mr. George Zeigler	

Agenda
(Lyle Friesen) Review/Approval of January 2006 Minutes (handout)
(Scott Little) Indirect Cost – How does ADE calculate this?
(Lyle Friesen) First Day Absences Policy
(Teddy Dumlao) Possible mid-month SDDI close
(Teddy Dumlao) FY04/05 Recalculation
(Karen Havird) Superintendents writing letters to Superintendent Horne regarding district concerns
Report from subcommittees: <ul style="list-style-type: none">Concurrent Enrollment (Rose Whelihan-Chair) – Cost analysisAuditable ADM (Paul Carolan-Chair) – Nothing to report at this time
Call to the Audience
Adjournment

Next Meeting: Monday, April 10, 2006
1:00 – 4:00 pm

Location: Arizona State Capitol
Executive Tower Building
2nd Floor Conference Room
1700 West Washington
Phoenix, AZ 85007

Estimated Distribution Date of February 2006 Meeting Minutes: March 13, 2006

School Finance Advisory Committee Meeting

Monday, January 9, 2006

Subject / Name	Issue	Suggestions / Resolution
Logistics & Minutes Review	<p>Teddy reviewed the logistics, noting that bathrooms and cafeteria were located just outside the auditorium.</p> <p>Lyle introduced Jill Heikkila as the new SFAC Project Coordinator.</p> <p>In the review of the minutes, Karen pointed out two corrections.</p>	<ol style="list-style-type: none"> 1. In August 2005 minutes, it should state, "Currently, if a student that is pre-enrolled or attended that school in the previous year is absent on the 1st day, the most he would get would be 99 membership days. However, if the student attends the 1st day, he would get 100 days. 2. In the October 2005 minutes, it should state, George, Joel, and Sandy were added to the JTED Supplanting subcommittee.
Reconciliation Process	<p>Karen questioned and was told that the ADMS 45 are attending and ADMS 46 are resident for the purposes of financial report reconciliation. She questioned as to what point could she settle on 04-05 growth. Teddy pointed out that there would be a brief interruption in upload capability. Bonnie noted that SF has been pushing for that to get done for the last 2 months and that the SAN migration has caused some unexpected issues.</p>	<p>As soon as SF knows when LEAs can settle on 04-05 growth, they will inform the LEAs. Katherine stated that the SDAR will inform them of when this will occur. Phil stated that SF will try to let LEAs upload, but not do integrity.</p>
SDER Information	<p>Bonnie put out a feeler to let the LEAs know that at some point in FY06, SF will request the LEAs to resubmit teacher data to clean up the average salary amount. She was looking for feedback as to what time of year would be best for this. She stated that Highly Qualified needs to know which teachers in a district are HQ so they can do the calculations. Bonnie clarified that 1 FTE should be the amount of time for a contract year. Katherine stated that SF will need the position of the teacher as well as their annual salary, for districts and charters.</p> <p>Karen wanted to know how it worked when LEAs reported contracted services. Bonnie stated that if an LEA is hiring a person, SF wants that captured, but if hiring a service, SF wouldn't need that information.</p>	<p>Katherine stated that SF hopes to have a training session by the end of the month.</p>
Action Items Updated	<p>Katherine updated the committee on her action items from the October meeting.</p> <ol style="list-style-type: none"> 1. SF will have good numbers sooner than mi-April as the error causing the delay in 40th day numbers, if a preschool was involved, has been removed. So all districts and charters will have their 100th day numbers by the end of the month following their 100 +13 days. Ability to get district-wide 75 is not available, although it is being worked on. A concurrency issues was found that generates 2 ADM when a students attends multiple JTED sites. Numbers should be close to accurate in March. 2. Good numbers for the budget depend on results mentioned in item 1. 3. We are working on resolving the inefficiencies in reporting every month. 	<ol style="list-style-type: none"> 1. SF does have a tool to generate that data in 75 format. If an LEA would like that, call 602-542-8797. SF also has the ability to reconcile the SPED28 down to the student. SF will hopefully close out FY05 by January. Rachel Arroyo is working on documentation to put Budg75s online so districts can see the calculations. Bonnie included that SF is waiting to process all districts at the same time. Also, a 2-day freeze is proposed so LEAs can compare their SMS with the SF 75. SF is working on archiving ability to get a snapshot of the files to compare with the SMS.

School Finance Advisory Committee Meeting

Monday, January 9, 2006

Action Items Updated (continued)	<p>4. SF is able, at this time, to provide a flat file for any district or charter for any school and/or district/charter holder right now. It is available on a request basis. Send us an e-mail. IT is developing the means for all schools to obtain these reports on their own. This should be done by the end of the school year assuming the programmers on the project are not pulled off on another project.</p> <p>In addition to an update on her Action Items, Katherine reiterated that if LEAs find errors or issues, call the support center or STaR and put in a ticket.</p>	
Katrina Kids	<p>Katherine noted that there are a good deal of federal monies for Katrina kids. SASSI, Genesis, School Master, Oscar, and SIRS can report these kids and Powerschool will do it for the LEA. If your SMS does not support Katrina kids, SF will give the LEA SAIS Online access. The amount for Katrina kids is about \$6,000 per student, 2% of which can be used for administration. The need code is 20.</p>	
Concurrent Enrollment	<p>Rose noted that the Concurrent Enrollment subcommittee could not proceed because ADE is unable to give them the breakdown they need (district to district, charter to charter, charter to district.) Lyle stated that if a student changes grades, records generate in a way that is difficult to compare.</p>	<p>Phil will take the issue to Janice and raise the priority. This is in concert with the 80-2 report. Rose stated that she would also call Janice directly.</p>
JTED Supplanting	<p>Karen explained that the Auditor General created a proposed draft of supplanting. She noted that there are a few different ways to test for that and it doesn't have to be a financial test. It could be based on FTE. The subcommittee thought it appropriate to suggest supplanting based on courses. The current test isn't really maintenance of effort and it excludes capital. The Federal government knows how to test and their test includes capital.</p> <p>She gave an example of Gilbert. If Gilbert continued to offer industrial tech, then it could not use satellite dollars, but new classes could use satellite dollars.</p> <p>Karen also reported that there is a proposal out by Representative Mark Anderson regarding the definition of satellite classes; districts are concerned with this proposal, primarily due to 2.5 hour class blocks.</p> <p>Phil explained that there are 2 types of issues from the SFAC group; for issues that affect ADE, the SFAC submits those. Others affect legislation and they should be taken to another channel such as AASBO or a professional lobbying group. ADE can only do the research.</p>	<p>Karen and the subcommittee will put a position paper together. They would like to propose an alternative to the Auditor General. They would also like to propose a definition of a satellite course (Mark Anderson came up with a proposal.)</p> <p>Phil offered to talk with Art Harding and determine if there is any synergy with the Superintendent's direction.</p>

School Finance Advisory Committee Meeting

Monday, January 9, 2006

Capital Funding	Bonnie stated some findings on capital funding. LEAs do get growth and can increase the budget on May 15 th in relation to M&O. The subcommittee felt that CORL and Soft Capital were left out. Their proposal is to fund students in the year that students actually arrive. The law says the LEA gets money next year if you grow 5% or more. This means that large school districts could have large growth, but it would not be realized in the calculation unless it is 5%. The cost to the state to include these funds is 7.8 million per year. If we eliminate the 5% rule, it only makes a difference when we get the money. There is no desire to move this into the current year funds. Consideration should be given to add one page to the fund formula. The subcommittee wants to try to keep the same language and just add a couple of words. They see it as a win-win for everybody.	Brian is going to take the proposal to AASBO.
Inflation	A related issue of inflation was brought up by George. Bonnie stated that should adding an inflation factor become important, they could do a position on current year 2% inflation on capital and soft capital. Bonnie asked the committee to support this recommendation. Brian suggested that the inflation and growth were two separate issues and should be addressed separately. George stated that it would cost 9.5 million for 2%. Lyle called for a consensus.	Phil offered to research the inflation issue to find if there is any overlap with the intent of the Superintendent's committee on restructuring capital.
Auditable ADM	Paul stated that ADE needs to do more homework on the issue. Phil wants to get rolling on this and stated that he wants to make sure that ADE bureaucracy doesn't get in the way of the SFAC committee.	
SAIS	Karen asked if LEAs can get something in writing for the 1 st enrollment count from ADE stating that it is in place for 06-07.	Phil informed the committee that SF will have something on this before the February 13 th meeting.
Budget Revision	LEAs are concerned about having to do budget revisions if their budgets are off by \$1,000 or more. They would rather see something along the lines of the greater of 4% or \$1,000	Lyle recommended that this could be a technical correction and he will ask Art Harding about it.
SAIS Online Update	Katherine informed the committee that the FERPA issue still exists. Karen stated that she needs SPED number so she can forecast for next year.	
Next Meeting	Monday, February 13, 2006	Arizona State Capitol Executive Tower Building 2nd Floor Conference Room 1700 West Washington Phoenix, AZ 85007

School Finance Advisory Committee Meeting

Monday, January 9, 2006

Acronyms

AASBO	Arizona Association of School Business Officials	M&O	Maintenance and Operation Fund
ADE	Arizona Department of Education	NAVIT	Northern Arizona Vocation Institute of Technology
ADM	Average Daily Membership	RTC	Regional Training Center
AFR	Annual Financial Reports	SAN	Storage Area Network
AG	Auditor General	SDAR	Student Detail Activity Report
CCD	Common Core Data	SDER	School District Employee Report
CEC	Certificate of Education Convenience	SF	School Finance
CSF	Classroom Site Fund	SFAC	School Finance Advisory Committee
EVIT	East Valley Institute of Technology	SFB	School Finance Board
JTED	Joint Technological Education District	SMS	Student Management System
LEA	Local Education Agency	USFR	Uniform System of Financial Records

Action Items / Commitments	
Jill Heikkila	<ul style="list-style-type: none"> Correct August and October 2005 minutes and redistribute.
Katherine Van Mourik	<ul style="list-style-type: none"> Work on providing and ADE training session on SDER by the end of January.
Philip Williams	<ul style="list-style-type: none"> Will take concurrent enrollment issues to Janice McGoldrick to get a district to district, charter to charter, and charter to district report for the Concurrency subcommittee. Talk with Art Harding about JTED Supplanting and satellites and determine if there is any synergy with the Superintendent's direction. Research inflation issue to find out if there is any overlap with the intent of the Superintendent's committee on restructuring capital.
Rose Whelihan	<ul style="list-style-type: none"> Will call Janice McGoldrick directly to discuss district to district, charter to charter, and charter to district report for the Concurrency subcommittee.
Karen Havird and JTED Supplanting Subcommittee	<ul style="list-style-type: none"> Put together a position paper on JTED Supplanting and satellite courses.
Brian Mee	<ul style="list-style-type: none"> Take Capital Funding proposal to AASBO.
Phil Williams, Lyle Friesen, Paul Carolan, and Jill Heikkila	<ul style="list-style-type: none"> Prepare something in writing for the 1st enrollment count from ADE stating that it is in place for 06-07.
Lyle Friesen	<ul style="list-style-type: none"> Ask Art Harding if a technical correction can be made to change the budget revision figure from "\$1,000" to "the greater of 4% or \$1,000."

School Finance Advisory Committee Meeting

Monday, January 9, 2006

Members in Attendance

Members			ADE Staff
Mrs. Lana E. Berry	Mrs. Lucia Marrufo	Ms. Sandy Wilkins	Bonnie Betz
Mr. Mark E. Busch	Mr. Brian L. Mee	Mr. George Zeigler	Paul Carolan
Ms. Marcie K. Celaya	Ms. Montie Morris		Teddy Dumlao
Mr. Paul Christensen	Mrs. Norma Pacheco		Lyle Friesen
Mr. Kent DeYoung	Mr. Kevin E. Price		Dolores Gerritse
Ms. Elizabeth A. Gasperone	Ms. Usha Raghavan		Jill Heikkila
Ms. Karen L. Havird	Mr. Michael D. Reed		Katherine van Mourik
Ms. Rita Leyva	Mrs. Rose Whelihan		Philip G. Williams

School Finance Advisory Committee (SFAC)
Subcommittee Report and Recommendation re: JTED
January 9, 2006

HISTORY:

At the August 1, 2006 meeting of the School Finance Advisory Committee (SFAC), sponsored through the Arizona Department of Education (ADE), participants discussed the new legislation regarding Joint Technological Education Districts (JTED). Specifically, Title 15-393, section 9 indicates that “a school district that is part of a joint district shall use any monies received pursuant to this article to supplement and not supplant base year career and technical education and vocational education courses...”. The section continues on to provide a phase in of those revenues for districts who are deemed to have supplanted those monies.

SFAC accepted volunteers to work on a subcommittee and defined their objective to interpret section 9 and provide input on a test for supplanting. They were to report back to SFAC and ultimately, share that information with the Auditor General's office.

The subcommittee met and reported back to the SFAC, at their October 17, 2005 meeting the difficulties that they encountered with this legislation. Issues included:

- Base year definition - Title refers to the year of the approved election, however section 9 refers to the year that monies were received. For some districts the year they became a member of a JTED was not the year they offered satellite classes.
- Which funds would be included? The subcommittee felt all local dollars should be included, which would exclude federal and state grants. Proposition 301 funds were not easily identifiable to a vocational program, so were excluded.
- What would be done about districts who would have to go back over 10 years to collect data? In some cases, only an Annual Financial Report (AFR) would be available, and it only reports the vocational expenditures in the Maintenance & Operation (M&O) fund. Vocational capital costs would not be easily identifiable. Also, many districts' base years went back to the prior chart of accounts. Many districts would not have computer data back into those years.
- Another data concern included the knowledge that districts were not required to use a program code within their chart of accounts to specify vocational costs, so the accuracy of information became a concern.
- What factors should be considered for districts who are declining? What of those with rapid growth?

Recommendations were presented to SFAC at this October meeting, and an additional

task was assigned to this committee: provide input into a definition of a satellite class. During this time frame, the Auditor General issued a draft memorandum and worksheet to test for supplanting. Shortly thereafter, the subcommittee became aware of a JTED reform proposal, initiated by Representative Mark Anderson.

The subcommittee met again and recognized the following points in making a recommendation to SFAC at their January 9th meeting. The recommendation following has been further edited to include comments from that meeting, as well as a meeting of East Valley vocational directors held on January 6, 2006.

- Current law indicates that JTEDs shall use funds to “enhance career and technical education and vocational education courses, and directly related equipment and facilities”.
- Satellite programs are not meant to compete with East Valley Institute of Technology, but are meant to compliment and/or supplement the state’s vocational program.
- There are many people determined to design and get approval for a JTED reform proposal through the 2006 Legislature; current legislation is anticipated to last only through the current fiscal year.

RECOMMENDATIONS:

Current Legislation - Supplanting of JTED monies:

An optional test for supplanting should be offered. Current legislation refers to not using monies to supplant “base year career and technical education and vocational courses...” An appropriate supplanting test would be based on voc ed courses, and that monies received should be directed to the courses that have been added since the base year. (Course costs to include capital, as noted per the legislation.)

It was agreed that this supplanting test would have to compare actual curriculum of one course to another; it cannot be done based on class title alone. This alternative methodology can best be explained by example. Comparing a course catalog from the district’s base year:

	BASE YEAR	2005/06	05/06 pay from satellite funds?
Courses:	Industrial Tech	Industrial Tech	No
	Word Processing I	Word Processing 1	No
	(not offered)	Word Processing 2	Yes
	Wood Shop	Robotics	Yes
	Keyboarding	CAD	Yes

Likewise, if Industrial Tech is offered at one school, and a new high school is opened and Industrial Tech is offered there as well, it cannot use satellite funds, as it is the same course offering as in the base year; in this case it is just another section of the same class but at another school.

As per current legislation, supplanting is allowed in 05/06 at 2/3. For classes such as the first 2 noted in our example, they could be supplanted by 2/3 for the current year.

Districts who choose this as an optional test will need to provide adequate documentation for auditors to confirm the changes in courses. Districts would continue to have the option to do a financial test using the Auditor General's worksheet; a course test would be referred to in box A8 of that worksheet.

Definition of Satellite Classes:

- Must be approved by the local VCTE program industry advisory committee, governing boards of both the JTED and offering districts, and the State Board of Voc Ed.
- Can be for freshmen, sophomore, junior, or senior students.
- Must be taught by a Highly Qualified teacher.
- Typically requires specialized equipment, software, instructional aids, or any combination of the above.
- Are specialized elective courses that lead to a career related to at least one of the VCTE programs identified on the 'State priority program list' published annually by ADE, CTE division. Only the specialized vocational classes approved by the authorizing State process in conjunction with the local governing boards and industry advisory committees are considered satellite.
- The approved courses lead to a certification accepted by industry as achieving a certain degree of competency in the field or the classes provide a significant additional background to enter employment or continued education where no appropriate industry credential is available.
- Must be open (pending class size) to students from other schools and/or districts.
- Has course content which is agreeable to both the operating school district and the JTED governing boards.